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*Sourcing Products from the U.S.
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Import Service Providers: The Importance of Legal Services

by

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Intercontinental Hotel
Phnom Penh, Cambodia
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Reasons for Cambodia's Growth Economy:

Cambodia's Established Track Record:

1. Economic Track Record:

- Rate of Growth: World Bank & ADB
- Macroeconomic Stability: IMF
 - * But Note: Inflation (2008)
- Strengths: Garments, Tourism, Construction, Real Estate and Agriculture

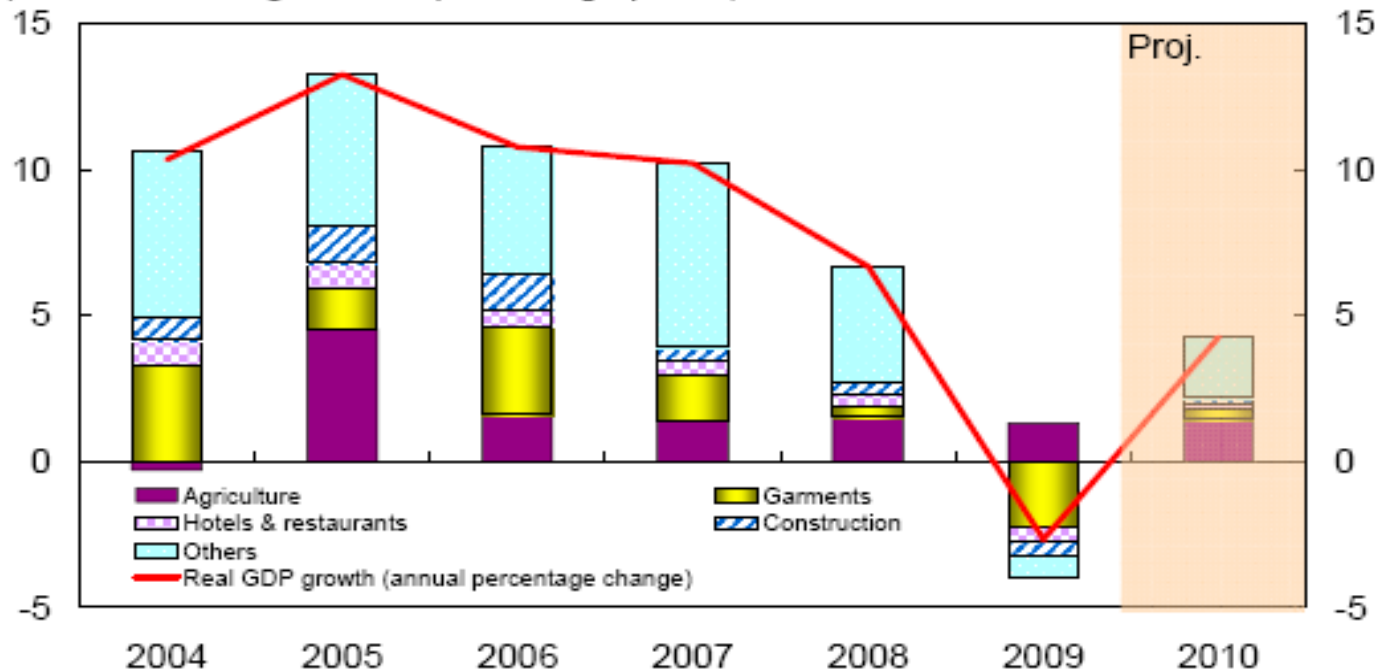


Cambodia Outlook

- Real GDP growth is projected to be negative 2¾ percent in 2009, with a modest recovery to 4¼ percent in 2010.

Cambodia: Sources of Growth, 2004–10

(Contribution to growth, in percentage points)



Sources: Data provided by the Cambodian authorities; and IMF staff estimates and projections.

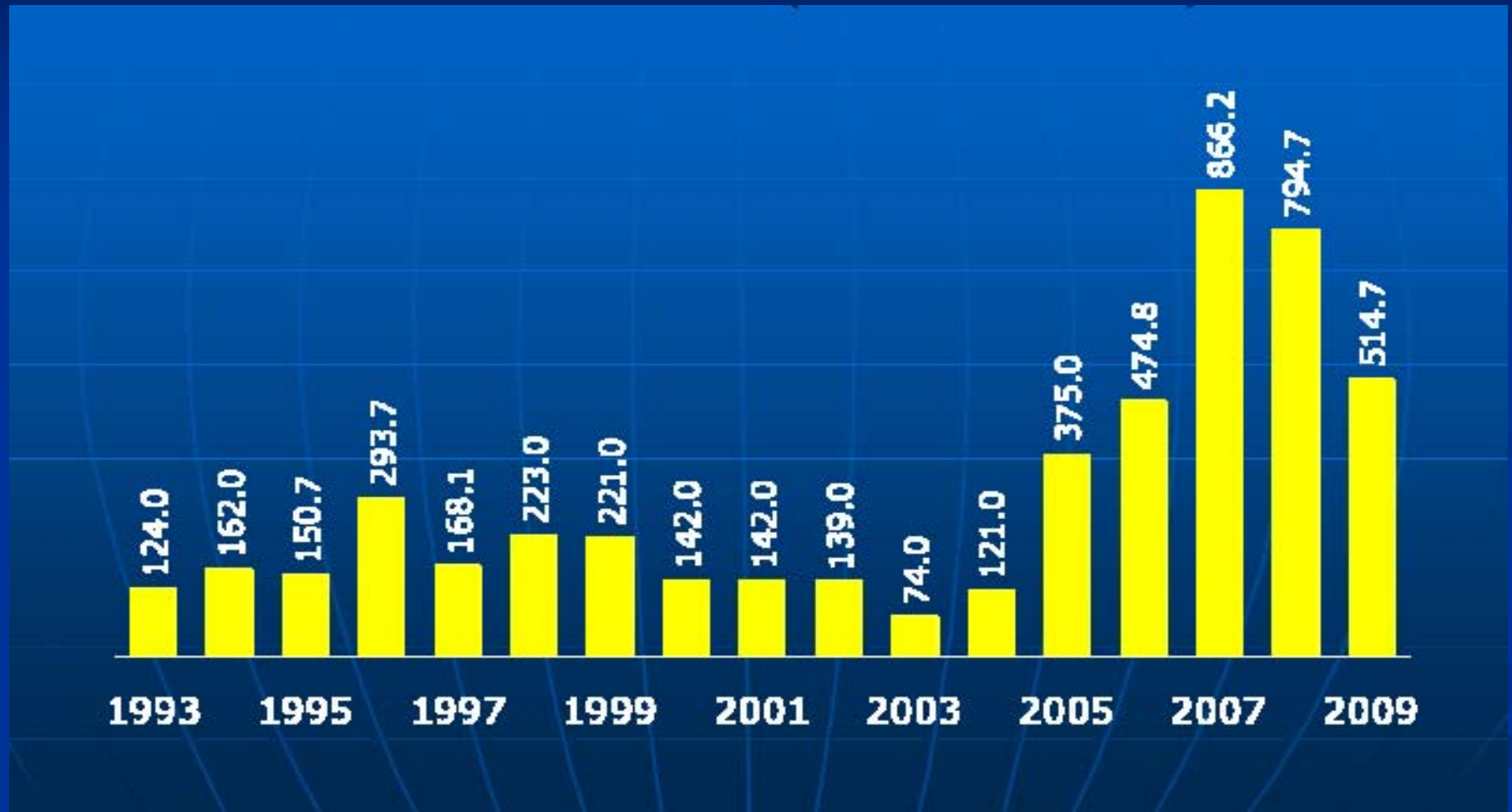
Cambodia's Economy on the Rebound

The ever changing nature of projections of GDP for 2010:

IMF (September 2009)	4.25%
World Bank (November, 2009)	4.2%
World Bank (April 2010)	4.4%
ADB (April 2010)	4.5%
IMF (April 2010)	4.8%

Note: Over the years, IFI GDP projections have consistently underestimated Cambodia's real economic growth.

Foreign Direct Investments Disbursement (Million US\$)



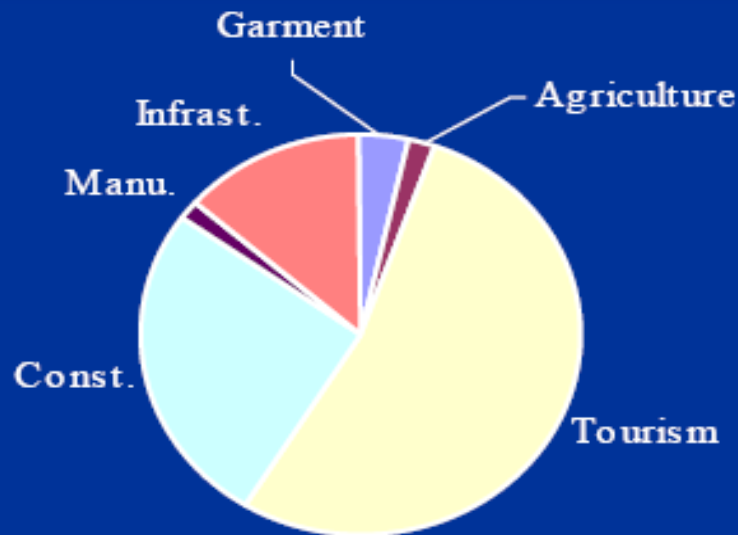
SOURCE: Ministry of Economy and Finance (2010)



Investment approvals are down sharply, but a shift in the composition bodes well for boosting longer-run growth

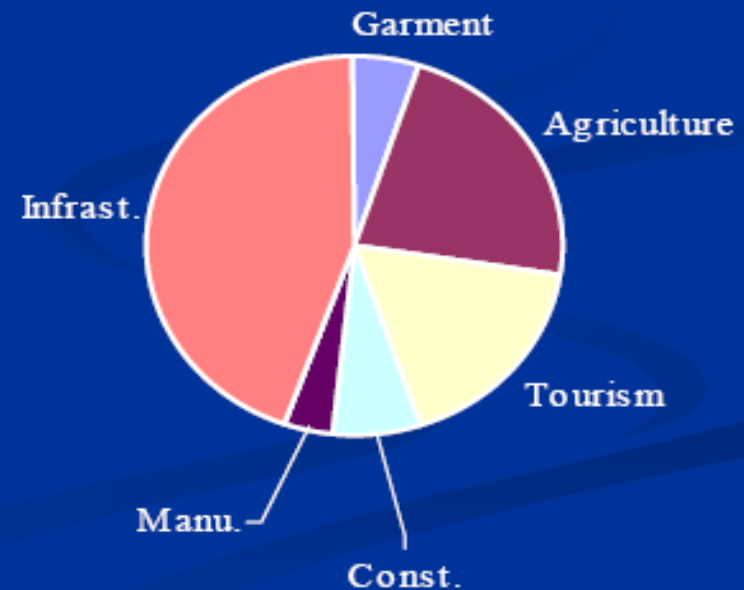
2008 Investment Approvals US\$ 10.6 billion

(chart excludes 3 tourism approvals over US\$1 b.)



2009 Investment Approvals US\$ 5.8 billion

(chart excludes 1 tourism approval over US\$1 b.)



SOURCE: IMF (2010) (Investment approvals)

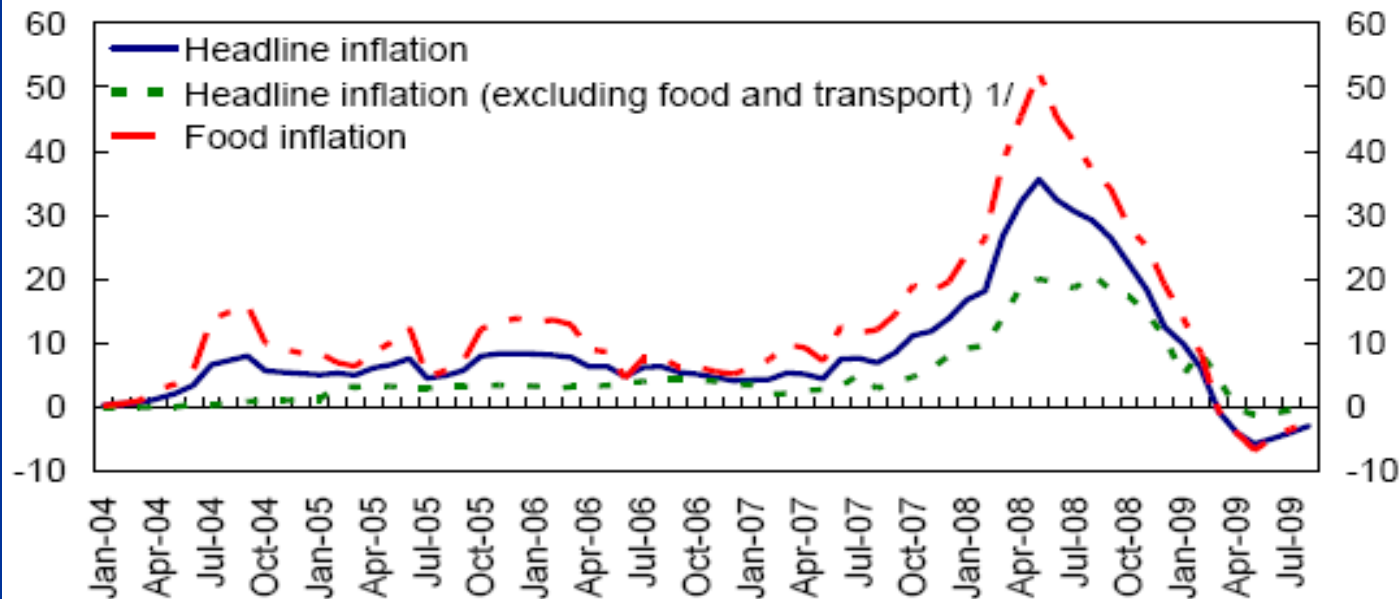


Cambodia Outlook

- Inflation has fallen sharply. However, prospects for higher oil prices and a highly expansionary fiscal stance pose upside risks.

Cambodia: Inflation Developments, 2004–09

(Year-on-year percent change)



Source: Data provided by the Cambodian authorities; and IMF staff estimates.

1/ Excludes food, beverages, and tobacco; and transportation and communication components of the consumer price index.



The garment sector was hit by the fall in U.S. demand, tough regional competition will make for a challenging recovery

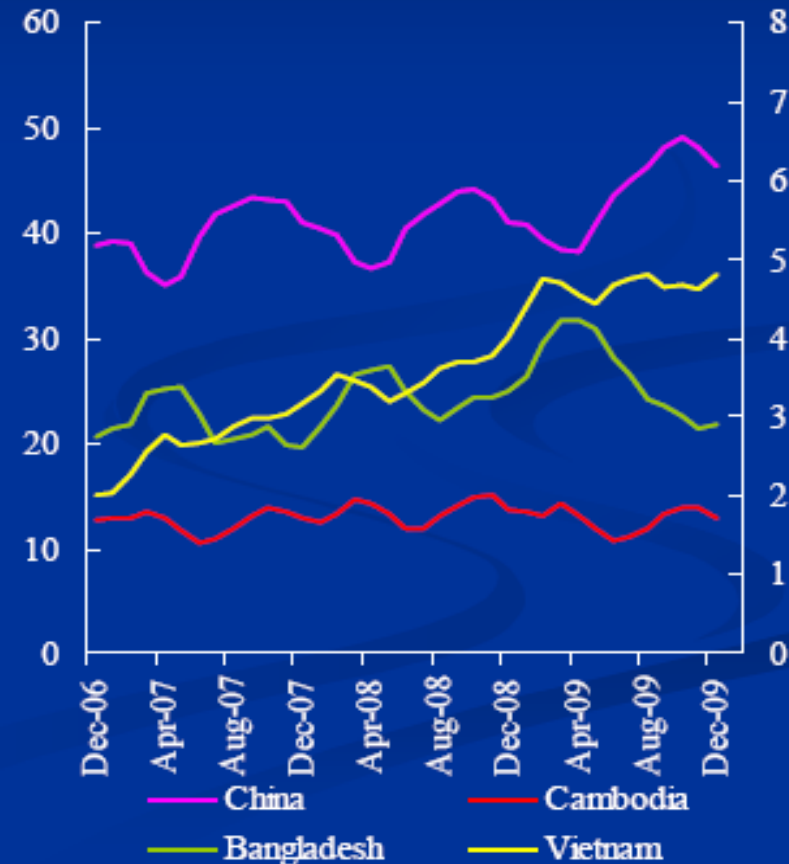
Garment Exports and US Retail Clothing Sales

(3 month moving average Y/Y, in percent)



US Garment Imports Market Share

(3mma, in percent, China left)



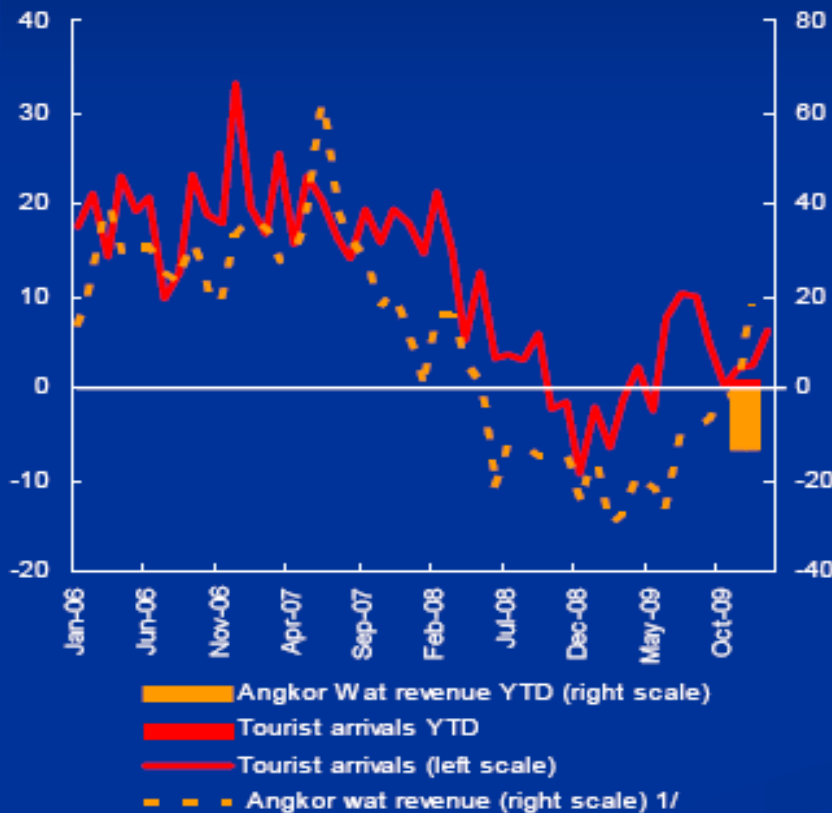
SOURCE: IMF (2010)



Tourism arrivals are recovering, though tourists spent a lot less money last year

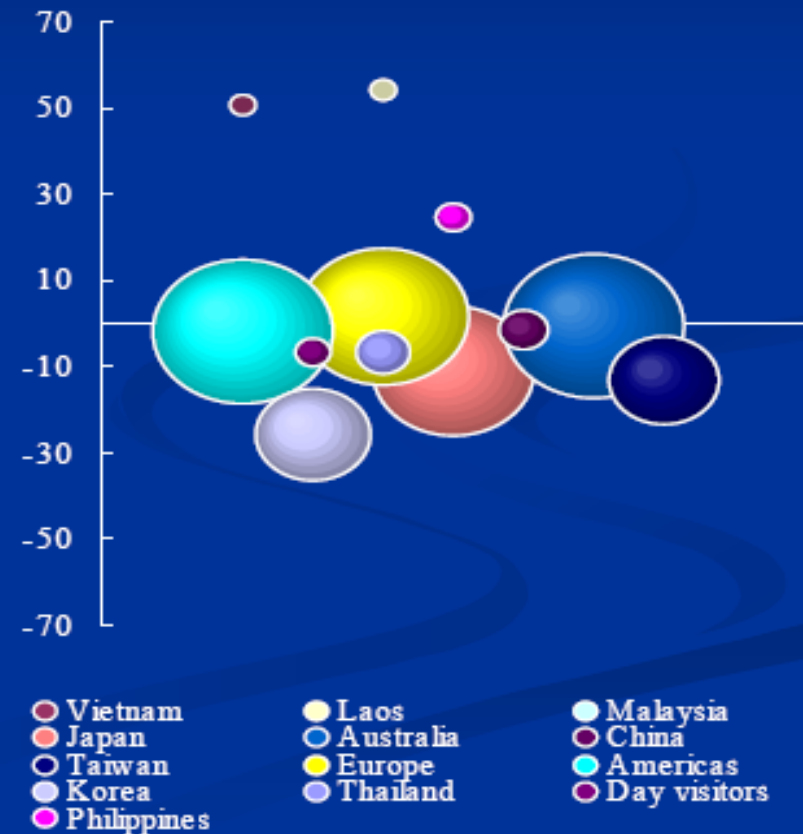
Total Tourist Arrivals and Angkor Wat Revenue

(Year-on-year growth, in percent)



Tourist Arrivals and Per-capita GDP of Tourist-Source Countries

(2009 y/y growth in percent, and thousands of US dollars)

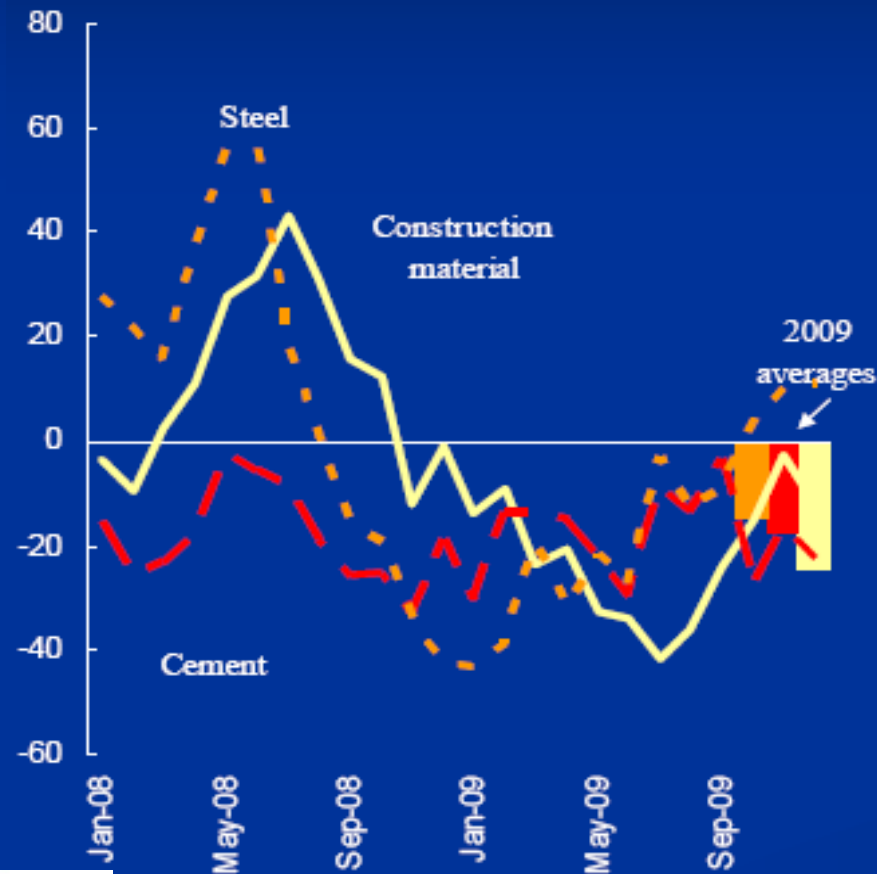


SOURCE: IMF (2010)

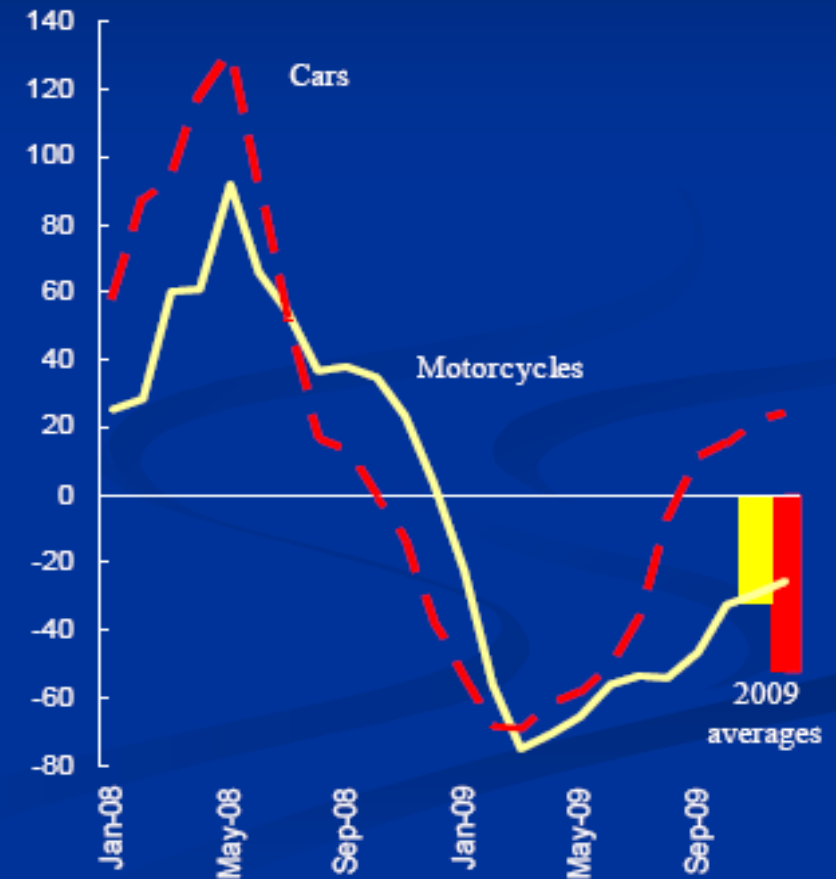


Construction activity is slowly recovering after a deep downturn, retail trade is also rebounding

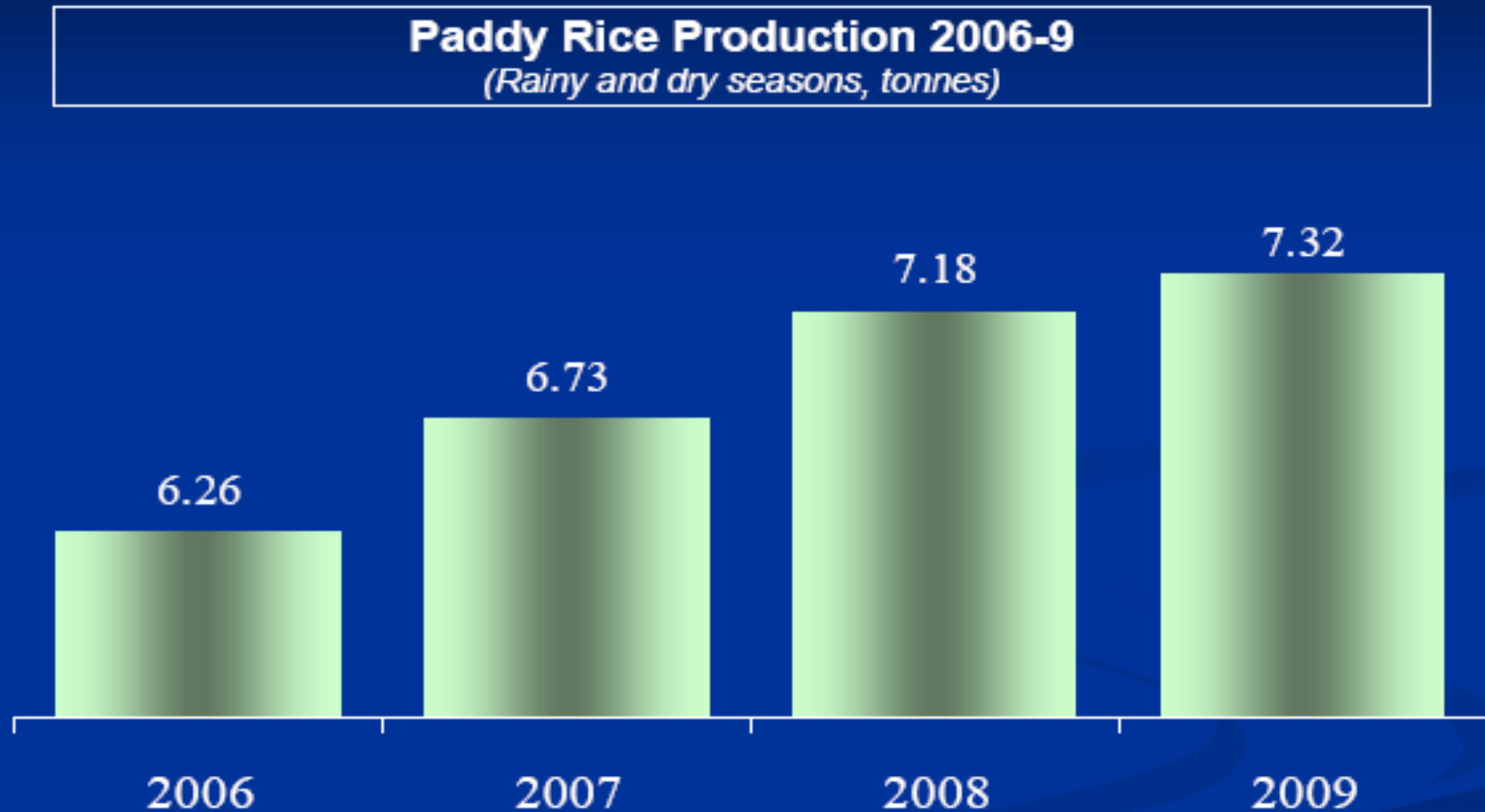
Construction-Material Imports
(Year-on-year growth 3mma and 2009 average)



Imports of Cars of Motorbikes
(Year-on-year growth 3mma and 2009 average)



Agriculture remains a bright spot, due in part to productivity improvements and infrastructure development



Source: MAFF



Cambodia's Established Track Record

2. Political Stability:

- Four National Elections (+ other elections)
- Constitutional Change for Forming a National Government (2006).
- Stability in Governmental Leadership
- Political Stability has led to Security



Cambodia's Established Track Record

3. Legal & Regulatory Reform:

A. Investor Friendly Environment from the Beginning (1st Mandate – 1993):

- 100% Foreign Ownership of Companies
- Quick and Easy Company Registration Procedure
 - E.G., US\$1,000 minimum capitalization
- No Restrictions on the Transfer of Funds
- No Foreign Ownership of Land, but:
 - Long Term Leases (*1994 Investment Law = 70 + 70*)
 - 99 year Concessions (*equal treatment for Cambodian nationals and foreigners*)
 - Is there a Sub-Decree on Strata Title in our future?
- 20% Maximum Profit Tax Rate on Earnings
- Easy to Obtain Work Permits for Foreigners



Cambodia's Established Track Record

3. Legal & Regulatory Reform:

B. Investment Law:

- Enacted in 1994, Amended in 2003
- Expedited Registration Procedure
- Tax Holidays
- Waiver of Import Duty on Construction Material and Equipment.
- Waiver of Import Duty on Raw Materials for 1st Year of Operation.
- No Nationalization



Cambodia's Established Track Record

3. Legal & Regulatory Reform:

C. Accession to WTO (2004):

- Intellectual Property Laws:
 - ↳ Trademarks (2001)
 - ↳ Patents (2002)
 - ↳ Copyright (2003)
- Law on Commercial Enterprises (May 17, 2005)
- Law on Negotiable Instruments (September 19, 2005)
- Law on Commercial Arbitration (March 6, 2006)
- Law on Government Bonds (November 20, 2006)
- Law on Secured Transactions (April 6, 2007)
- Law on Customs (June 22, 2007)
- Law on Concessions (October 4, 2007)
- Law on Insolvency (October 16, 2007)
- Law on Financial Leasing (May 27, 2009)



Cambodia's Established Track Record

3. Legal & Regulatory Reform:

D. Other Laws Enacted by the Royal Government:

- Labor Law (1997)
- Banking Law (1999)
- Property Law (2001)
- Stock Market Law (2007)
- Civil Code (2007) (includes contracts; promulgated but not yet in effect)
- Anti-Corruption Law (2010)



E. Legislation Pending with the New Royal Government

- Telecommunication Law
- * But Note:
 - Sub-Decrees and Prakas (regulations) Required
 - Implementation Required



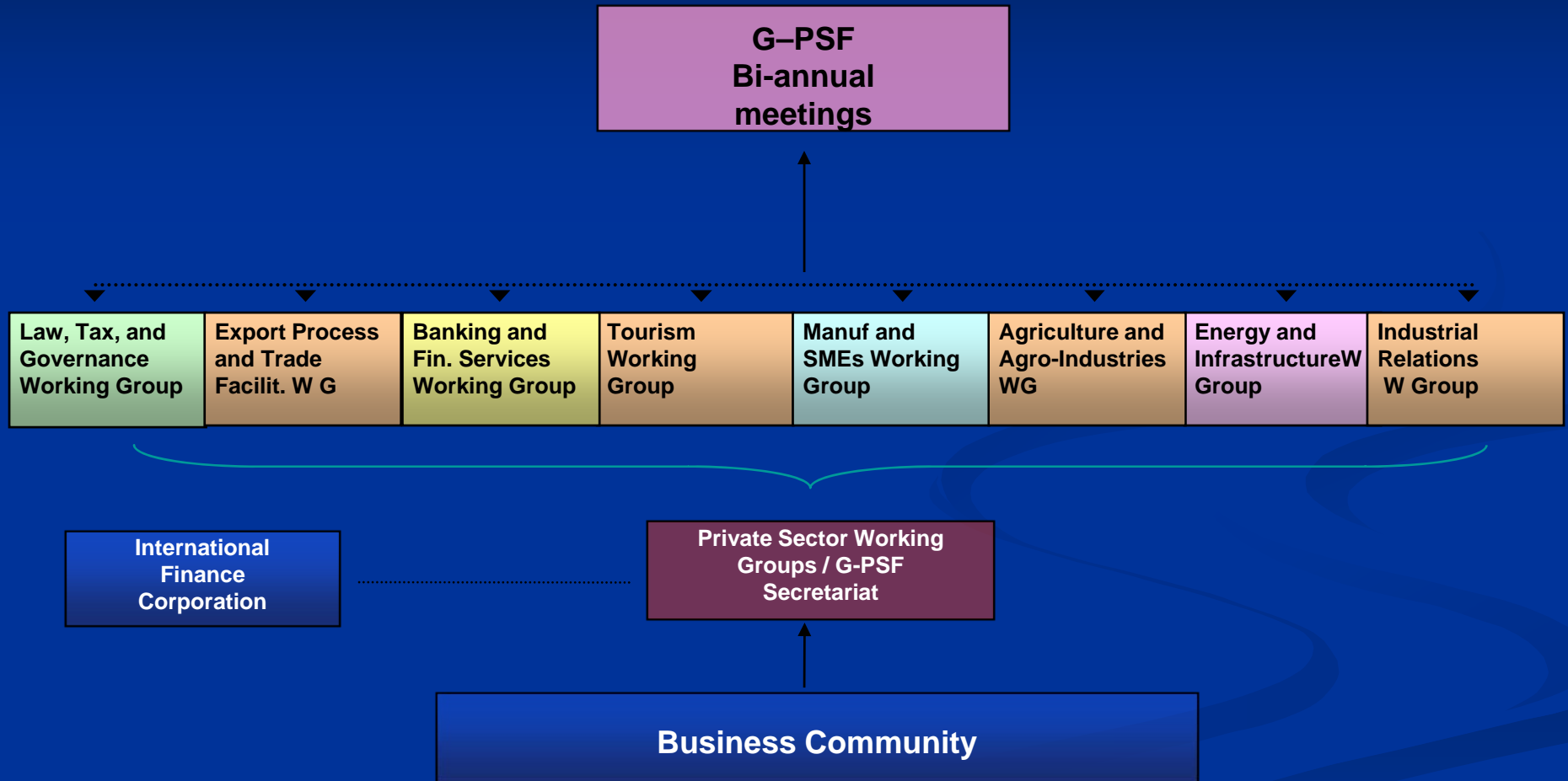
Cambodia's Established Track Record

4. Pro-Investment Attitude of the Royal Government of Cambodia:

- User Friendly Attitude of Senior Government Officials: Individual Initiatives.
- Private Sector Forum (1999)
- Working Groups (2000)
 - * IFC Survey:
 - (a). Savings for the Private Sector of US\$70 million
 - (b). Private Sector's Pro Bono Input valued at US\$350,000
 - (c). For every US\$1 invested by donors in the process, a return of US\$105.



Current structure of the G-PSF dialogue (Private sector)



#	Country	Total Score	#	Country	Total Score
1	Cambodia	94.50	14	Chad	58.50
2	Vietnam	91.75	15	Tonga	58.25
3	Romania	89.25	16	Vanuatu	57.75
4	Laos	88.75	17	Aceh	55.50
5	Albania	88.63	18	Timor Leste	50.25
6	Uganda	81.25	19	South Sudan	39.50
7	Liberia	78.00	20	CAR	38.75
8	Bangladesh	75.00	21	North Sudan	37.75
9	Ghana	72.00	22	Nepal	37.25
10	Pakistan	65.50	23	Cameroun	34.75
11	Zambia	64.75	24	Ethiopia	31.25
12	Belarus	64.25			
13	Sierra Leone	60.50			

IFC s

Review of World Bank Group Support to Structured Public-Private Dialogue for
Private and Financial Sector Development
April 2009



Areas of Growth & Investment Opportunities

- Infrastructure
 - Energy
 - Telecoms
 - Transport
 - SEZ's
- Tourism/Hospitality Industry
- Light Manufacturing
- Agri-business/Food Processing
- Financial Services
- Mineral Resources Development



Negative Aspects of Investment

- **Corruption**
- **Courts & Dispute Resolution**
 - ↳ Arbitration Law
- **High Cost of Doing Business**
 - ↳ Electricity Expensive
- **Lack of Regulations**
- **Difficulty of Due Diligence**



Sources of Legal Advice & Information Relating to Implementation of Laws

1- Relevant Ministries and Agencies

- Official Gazette (NB: not all laws, sub-decrees, prakas and announcements will appear in OG)

2-Cambodian Bar Association/Cambodian Licensed Lawyers

3-International Lawyers

4-Accounting Firms

5-Investment Advisers

6-Other Investors or Traders

- Avoid using middlemen, fixers, etc.
- Legal advice important in due diligence process.
- Legal advice important at the front-end of setting-up or making a contract in order to avoid problems.
- Legal advice important if you have encounter problems.
- Do not be misled: Cambodia is a country of laws, and they will be applied to you!



Dispute Resolution in Cambodia

- **Litigation: A three tiered court system characterized by:**
 - Limited Resources;
 - Significant backlog of cases;
 - Limited number of attorneys.
- **Specialized Dispute Resolution Mechanisms**
 - Land Disputes: Cadastral Commission and the National Authority for Land Disputes;
 - Collective labor disputes: Statutory Arbitration Council (see www.arbitrationcouncil.org)
 - General Labor Disputes: Labor Court not yet established.
 - Commercial Disputes: Law on Commercial Court now in draft form.
- **Alternative Dispute Resolution**
 - Strong tradition of conciliation of disputes;
 - Commercial Arbitration Law (provides for National Arbitration Centre);
 - Commercial contracts generally provide for arbitration outside of Cambodia (e.g. ICC, Singapore International Arbitration Centre);
 - Cambodia is a party to the New York Convention on Recognition of Foreign Arbitral Awards and has adopted domestic legislation implementing terms of the Convention (also included in the Civil Procedure Code).



Due Diligence in Cambodia

- **Lack of Substantial Public Records**
 - ↳ Ministry of Commerce
 - ↳ Tax Department
 - ↳ Cadastral Office
- **Licenses – not necessarily publicly available (e.g., telecommunications, mining, etc.)**
- **No Credit Agency: But TA from ADB for the Bankers Association**
- **No Court Records available in a systematic and transparent manner.**
- **Newspapers?**
- **Annual Reports**
 - ↳ Banks, Insurance Companies
 - ↳ MEF Prakas 643 (2007) - Annual Audits for Companies of certain size.



Business Roundtable with the Government of Cambodia

On the verge of a breakthrough?



February 16th 2009
Angkor Palace Resort and Spa
Siem Reap

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Social unrest

The Political Instability Index shows the level of threat posed to governments by social protest. The index scores are derived by combining measures of economic distress and underlying vulnerability to unrest. The index covers the period 2009/10, and scores are compared with results for 2007.

- [See data on a map](#)
- [Full methodology](#)

Key: ▲ Risk has increased since 2007 ▼ Risk has decreased since 2007 ▶ Risk is unchanged since 2007
■ Very high risk ■ High risk ■ Moderate risk ■ Low risk

Rank	Country	Underlying vulnerability	Economic distress	Index score	2007 score
1	Zimbabwe	7.5	10.0	8.8	▶ 8.8
2	Chad	7.1	10.0	8.5	▲ 7.5
3	Congo (Democratic Republic)	8.3	8.0	8.2	▲ 7.2
4	Cambodia	7.9	8.0	8.0	▲ 6.0
4	Sudan	7.9	8.0	8.0	▲ 7.0
6	Iraq	8.8	7.0	7.9	▶ 7.9
7	Cote d'Ivoire	7.5	8.0	7.8	▶ 7.8
7	Haiti	7.5	8.0	7.8	▲ 6.8
7	Pakistan	7.5	8.0	7.8	▲ 5.8
7	Zambia	7.5	8.0	7.8	▲ 6.8
7	Afghanistan	7.5	8.0	7.8	▲ 6.8
7	Central African Republic	7.5	8.0	7.8	▲ 5.8
13	North Korea	5.4	10.0	7.7	▲ 3.7
14	Bolivia	8.3	7.0	7.7	▲ 5.7
14	Ecuador	8.3	7.0	7.7	▲ 6.7
16	Angola	6.3	9.0	7.6	▲ 5.6



OPEN LETTER TO THE ECONOMIST INTELLIGENCE UNIT

Sirs,

Your March 19th, 2009, report 'Political Instability Index: Vulnerability to social and political unrest' presents a generally gloomy outlook across the board. However, we must strongly dispute your conclusions on the prospects for Cambodia which are damaging and constitute a grave injustice to the Royal Government and people of this country. You candidly admit that *'Although quantitative models have greater predictive success, they can miss out possibly pertinent specific features in countries that are not captured by the general model....'* This clearly implies the need to test the results against a qualitative assessment, particularly in Cambodia where the data is not always reliable or up-to-date. May we then draw your attention to the following facts:

- Cambodia is politically more stable than at any time since the mid-1960s – and getting more so, not less. The election in 2008 was widely accepted by a number of independent observers as being the fairest yet with the outcome clearly demonstrating the people's choice of government by a substantial and credible margin.
- Cambodia has enjoyed substantial growth in the last ten years – consistently exceeding the projections of the world development agencies, sometimes spectacularly so. Of course the country will be affected to some extent by the global economic melt-down but by how much? The failure of the experts in the past does not give us much confidence in the latest 'race you to the bottom' predictions.
- That having been said, one of the problems in forecasting the economic performance is the difficulty in capturing the contribution made by the rural sector, much of which is informal, self-contained and often involves cash trade across the borders with neighbouring countries. With 80.5% of the population living in rural areas (2008 census) this is significant and even the migration to the cities to work in the garment industry which took place over the last ten years means that the industrial labour force is only half a generation away from the land. Some reports indicate that during a previous downturn in the garment industry many laid off workers returned to the countryside and rejoined the rural economy.
- Cambodia continues to receive strong support from international donors, both bi- and multi-lateral, with over US\$950 million being pledged at the recent Cambodia Development Cooperation Forum, perhaps the most ever pledged by the donors. In addition, China is prominent in providing generous aid for infrastructural development. Whilst it is conceivable that there might be a slowing down it will still remain significant.

We do not claim that Cambodia is perfect – far from it, as even the government recognises – but the two notch downgrade since 2007 seems perverse and the unfavourable comparison with such countries as Sudan, Iraq and Afghanistan, to name a few, is more so and gives credence to the famous adage 'Lies, damned lies and statistics'

Yours sincerely,



Bretton G. Sciaroni,
Chairman,
The International Business Club of Cambodia



108 Togo	4.6	6.0	5.3	▲	3.3
108 Bhutan	4.6	6.0	5.3	▲	2.3
110 France	2.5	8.0	5.3	▲	1.3
110 Iceland	2.5	8.0	5.3	▲	1.3
110 United States of America	2.5	8.0	5.3	▲	3.2
113 Azerbaijan	5.4	5.0	5.2	▲	4.2
113 El Salvador	5.4	5.0	5.2	▲	3.2
115 Uruguay	3.3	7.0	5.2	▲	4.1
116 Gabon	6.3	4.0	5.1	▲	3.1
117 Chile	4.2	6.0	5.1	▲	4.1
117 Ethiopia	4.2	6.0	5.1	▲	4.1
117 Laos	4.2	6.0	5.1	▲	2.1
117 South Korea	4.2	6.0	5.1	▲	2.0
121 Italy	2.1	8.0	5.0	▲	4.9
122 Rwanda	5.8	4.0	4.9	▲	3.9
123 Portugal	1.7	8.0	4.8	▲	1.8
124 Belarus	4.6	5.0	4.8	▲	2.8
124 China	4.6	5.0	4.8	▲	3.8
124 Kazakhstan	4.6	5.0	4.8	▲	3.8
127 Botswana	5.4	4.0	4.7	▲	2.7
127 Swaziland	5.4	4.0	4.7	▲	4.2



33	Argentina	6.3	8.0	7.1	▲	4.1
33	Kyrgyz Republic	6.3	8.0	7.1	▲	5.1
33	Madagascar	6.3	8.0	7.1	▲	6.1
33	Myanmar	6.3	8.0	7.1	▲	4.1
33	Panama	6.3	8.0	7.1	▲	5.1
33	Tajikistan	6.3	8.0	7.1	▲	6.0
39	Colombia	7.1	7.0	7.0	▲	6.0
39	Lebanon	7.1	7.0	7.0	▲	5.0
39	Peru	7.1	7.0	7.0	▲	6.0
39	South Africa	7.1	7.0	7.0	▲	4.0
39	Thailand	7.1	7.0	7.0	▲	6.0
44	Lesotho	7.9	6.0	7.0	▲	6.0
44	Nigeria	7.9	6.0	7.0	►	7.0
44	Mali	7.9	6.0	7.0	▲	5.9
47	Burkina Faso	5.8	8.0	6.9	►	6.9
47	Burundi	5.8	8.0	6.9	▲	5.9
47	Cameroon	5.8	8.0	6.9	▲	4.9
47	Papua New Guinea	5.8	8.0	6.9	▲	5.9
47	Mauritania	5.8	8.0	6.9	▲	3.8



Kingdom's third demining mission to Sudan a success, officials say

Deminers are lauded for exhibiting courage in the face of adverse conditions as Cambodia continues to make its mark in peacekeeping

BY SAM RITH

A TEAM of Cambodian deminers working as part of a UN peacekeeping force in Sudan has returned to the kingdom, with officials hailing the mission a success.

The yearlong assignment was the country's third since 2006. A fourth 52-man team was deployed last week.

"During our operation in Sudan, we had no injuries and succeeded in doing our work," Mey Sophea, the team's commanding officer, said during a welcoming ceremony.

He said that the 139-man team had successfully removed 800 anti-personnel mines and 17,000 pieces of unexploded ordnance from more than 13 million square metres of land.

Minister of Defence Tea Banh said the deminers had pushed through difficult conditions to receive more awards from the UN for their effort.

"Through heightened consciousness and thorough discipline ... [they] succeeded the mission so that the UN still believes Cambodia is the best among the other [demining] countries," he said.

More than 50 countries are involved in the peacekeeping mission, but only five – Cambodia, Bangladesh, Egypt, Kenya and Zambia – offer their ser-



Cambodian deminers return to the country Friday after a year demining in Sudan. TRACEY SHELTON

vices through demining.

Valuable experience

Khun Sopha, a 40-year-old deminer, said he was required to work long hours in hostile conditions.

But despite the hard work, he gained more experience in demining during the mission than ever before.

"Every day we worked from 7am to 2pm," he said. "But we have succeeded in our work, 100 percent."

Teruo Jinai, acting president for UN agencies and representative of UNESCO, said Cambodia had proved itself as a leading country in demining and humanitarian services in post-conflict countries.

"Significantly, Cambodia has made a remarkable transition from being one of the countries most affected by mines to becoming one with the global leaders in mine clearance," he said.

"I would like to ... thank you all for the mission you just accomplished. We applaud your courage and acknowledged the success you have achieved in the challenging circumstances," he said.

Since their first deployment in 2006, Cambodian deminers have cleared more than 57 million square-meters of land in Sudan, according to a report by the Institute for Peacekeeping Forces, Mine and ERW Clearance. ■

Conclusion

- Do Your Research
- Take a Look!



Thanks !



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